

April 22, 1960

CONFIDENTIALCOCOM Document 3966

COORDINATING COMMITTEE  
MEMORANDUM FROM THE UNITED STATES DELEGATION

ON  
DIVERSION OF ARGENTINE BORAX  
SUBCOMMITTEE ON EXPORT CONTROLS

Summary:

1. The transactions described below illustrate recent efforts by Soviet Bloc countries to procure borates through indirect or illegal channels. We are also aware that there have been a number of other borax diversions or attempted diversions during this period. As was the case in previous borax diversions reported to the Committee, a number of intermediaries in COCOM countries and non-member countries were utilized. These procurement efforts took place at a time when the legal basis of Argentine trade controls was weak.

2. With regard to the first diversion described below, the COCOM countries concerned, while aware of the diversion, felt that they were unable to detain the shipment since the borax was not offloaded while in their ports and since there was no request from Argentina that the shipment be detained. In the second case described below, an attempted diversion, using the same channels, was prevented due to cooperative efforts by the authorities of Argentina, Brazil, Canada and the United States. Canadian authorities have interrogated the Canadian intermediary under Canadian transaction controls. The Canadian intermediary has signed a statement, and it is understood that criminal prosecution is contemplated. United States authorities have arrested the United States intermediary for violation of United States Transaction Control Regulations. The United States intermediary has signed a confession and is presently out on bail awaiting indictment and criminal prosecution.

Details of Transactions:

3. The buyer for the Soviet Bloc, (A), (who is a Netherlands national believed to be now residing in West Berlin\*), purchased 1,000 tons of Argentine borax in two lots of 500 tons each, for delivery to Gdynia, Poland. It is understood that the borax was to be forwarded from Gdynia to another Soviet Bloc country, which is believed to have been East Germany. (A) operated through an intermediary firm in the Netherlands, (B), in whose name the order was placed. (B) solicited borax offers from a Canadian firm (C). (C) was aware of A's interest in the transaction. (C) in turn placed an advertisement for borax in a trade publication. This advertisement was answered by the United States intermediary Cecil F. ATKINSON, Elbridge, New York,

4. Atkinson/

\* He formerly operated personally in the Netherlands, where some of his past diversionary activities contravened local regulations. It is understood that he fled to West Germany to escape questioning and possible prosecution by the Dutch authorities. It is believed that he now lives and conducts his operations in West Berlin. (See COCOM Docs. 3030 and 3269 for previous reports on his activities.)

CONFIDENTIAL

CONFIDENTIAL

-2-

4. Atkinson had earlier been negotiating with another United States firm (G) to sell Argentine borax to (G) for delivery to Poland. Atkinson had sought a source of supply of borax for this contemplated sale to (G). He was put in touch through a Chilean intermediary, (H), with an Argentine producer of borax (F). (F) then appointed Atkinson as his agent for the sale of borax in North America. However, (F) refused to sell borax via Atkinson to (G) for delivery to an Iron Curtain destination. The Chilean intermediary (H) then put Atkinson in touch with an Argentine intermediary (E) who was willing to sell Argentine borax for delivery to the Soviet Bloc. (G) had meanwhile withdrawn from its contemplated sale of borax to Poland. Thus, Atkinson had a prospective supplier (E) for Argentine borax when the Canadian firm (C) appeared on the scene. Accordingly, Atkinson put the Canadian firm in touch with the Argentine intermediary (E) in return for a promised commission. From then on, negotiations were conducted primarily between the Argentine and Canadian intermediaries, (E) and (C).

5. The Argentine intermediary (E) had on hand an export license from the Argentine authorities authorizing export of borax to Brazil. He accordingly felt it would be too risky to load the borax on a Polish Ocean Lines vessel, as the buyer (A) desired, and suggested instead that shipment be made on a Swedish vessel, which would touch at West European ports and then go to Gdynia. This proposal was ultimately agreed to by all parties to the transaction.

6. To finance this transaction, the Netherlands national in West Berlin (A) opened an unnumbered letter of credit at a private West Berlin bank (I). The credit was opened in favor of the Canadian intermediary (C) at a Montreal bank in the amount of United States \$52,000. The Canadian firm (C) transferred \$45,000 of the credit to the Argentine intermediary (E) in June 1959, and it was utilized by the latter in July. The borax was procured by (E) from the Argentine producer (F).

7. The 500 tons were loaded aboard the Swedish vessel (J) with the destination shown on the bill of lading as Helsinki. The vessel departed Villa Constitucion, Argentina, July 17, and made stops at Rotterdam August 14, Hamburg August 19, Copenhagen August 22 before proceeding to Gdynia August 24. The Danish authorities at Copenhagen examined the cargo and confirmed the presence of 500 tons of borax. Neither the Danish or German officials, however, felt that they had legal authority to stop the ship or order the borax to be unloaded. The Argentine officials did not believe they had legal authority to make an official request to the German or Danish Government to stop the cargo or to request the Swedish Government to order the ship to be detained. From Copenhagen the vessel proceeded directly to Gdynia where the borax was unloaded.

Diversion Attempt Prevented:

8. As soon as the first diversion aboard the Swedish vessel had been successfully effected, the buyer's (A) intermediary in the Netherlands (B), immediately requested a second shipment of borax plus a quantity of boric acid to be handled through substantially the same channels. At about the same time, a new Dutch intermediary (K) cabled the Canadian intermediary (C) asking for borax. The second transaction was ultimately concluded between the Canadian firm and this new Dutch intermediary (K). The latter was in fact acting for the same buyer (A) as the other Dutch intermediary (B), i.e. they were both acting for the Netherlands national living in West Berlin (A). It is not known whether the two intermediaries in Holland, (B) and (K), were aware of each other's participation in these transactions. The second transaction was financed in similar fashion to the first. That is, the Netherlands national in West Berlin (A) opened an unnumbered credit at the same West Berlin bank (I) in favor of the Canadian intermediary (C). This credit was, however, opened in the name of the new Dutch intermediary firm (K) instead of in the buyer's own name (A), as occurred in the first diversion case. The Canadian intermediary transferred the credit to the Argentine intermediary (E). The latter used the name of a separate Argentine firm (L), which he had organized for purposes of secrecy, instead of his own name which he had used in the first transaction.

9. There were/

CONFIDENTIAL

CONFIDENTIAL

-3-

9. There were shipping difficulties in this case as in the first. The Swedish shipping line had decided not to handle any further shipments of this type. The buyer (A), through his Netherlands front firm (K), continued to try for shipment via the Polish Ocean Lines, while the Argentine intermediary (E) remained unwilling to ship on that line. Eventually, agreement was reached on shipment aboard a Danish flag vessel (M), chartered by Brazilian interests. This ship left Buenos Aires October 6.

10. This shipment was consigned ostensibly to Sao Paulo, Brazil, via Santos, Brazil. The United States and Argentine authorities were aware of the anticipated diversion. Accordingly, end-use checks were made in Brazil which confirmed the information on the intended diversion. When the vessel failed to touch at Santos, the Argentines asked the Brazilians to require offloading of the cargo. This was accomplished when the ship put in at Natal, Brazil, in October 1959, and the borax is still held by Brazilian Customs in Natal.

11. Canadian authorities were informed by the United States of the Canadian intermediary's role, which appeared to be in violation of Canadian transactions controls. The Canadian police, on November 18, questioned the operator of firm (C) under warrant and obtained a statement from him. Information obtained by them was made available to United States authorities, who interrogated Atkinson and obtained a confession from him. He was then arrested for violation of the United States Treasury's Transaction Control Regulations.

12. Argentine and Federal Republic authorities are understood to be conducting their own studies of this case.

13. Argentine export controls have been strengthened since the occurrence of the above described diversions. The Argentine Government requires export licenses for all exports of borons and other strategic materials and consults with the United States Embassy prior to issuance of these licenses. It requires import certificates and delivery verifications for shipments to cooperating countries. It conducts end-use checks, with the assistance of United States representatives, in shipments to countries, such as Brazil or Sweden, where IC/DV procedures are not available. With respect to possible Argentine cooperation in TAC, the United States intends to discuss this subject again with the Argentine Government as soon as circumstances permit. It is understood that a new foreign trade law is pending in the Argentine Congress which will strengthen the legal basis for Argentine controls.

CONFIDENTIAL